

# OFFICE OF AUDITS & ADVISORY SERVICES



## SHERIFF'S DEPARTMENT CASH HANDLING AUDIT

### *FINAL REPORT*

Chief of Audits: Juan R. Perez  
Senior Audit Manager: Laura R. Flores, CIA, CFE, CGAP  
Senior Auditor: Kathleen Medlin, CGAP, CICA  
Senior Auditor: Joseph Kelly, Jr., CPA, CGMA, CGFM

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# County of San Diego

**TRACY M. SANDOVAL**  
DEPUTY CHIEF ADMINISTRATIVE OFFICER/  
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER  
OFFICE OF AUDITS & ADVISORY SERVICES  
5530 OVERLAND AVENUE, SUITE 330, SAN DIEGO, CA 92123-1261  
Phone: (858) 495-5991

**JUAN R. PEREZ**  
CHIEF OF AUDITS

May 9, 2014

TO: William D. Gore, Sheriff  
Sheriff's Department

FROM: Juan R. Perez  
Chief of Audits

## FINAL REPORT: SHERIFF'S DEPARTMENT CASH HANDLING AUDIT

Enclosed is our report on the Sheriff's Department Cash Handling Audit. We have reviewed your response to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Laura Flores at (858) 495-5654.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ  
Chief of Audits

AUD:LF:aps

Enclosure

c: Ronald J. Lane, Deputy Chief Administrative Officer, Public Safety Group  
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller  
Eunice C. Ramos, Group Finance Director, Public Safety Group

## INTRODUCTION

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<b>Audit Objective</b>	<p>The Office of Audits &amp; Advisory Services (OAAS) completed an audit of the Sheriff's Department Cash Handling. The objective of the audit was to identify and evaluate the internal controls over cash handling practices at the Sheriff's Department's detention facilities.</p>
<b>Background</b>	<p>The Sheriff's Department operates seven detention facilities, including East Mesa, Facility 8, George Bailey, Las Colinas, South Bay, Vista, and San Diego Central Jail. The detention facilities are responsible for booking and releasing inmates, ensuring court appearance, and providing daily care for about 5,500 inmates per day. As part of the daily care, the detention facilities are responsible for receiving, accounting for, and disbursing cash associated with inmate fund accounts. In addition, the detention facilities collect bail bond or cash on behalf of the County of San Diego (County) Courts.</p> <p>The Sheriff's Department maintains the Inmate Trust Fund to account for funds belonging to inmates that are incarcerated. When booked, an account is established for each inmate in the Jail Information Management System (JIMS) with any money on their person when processed through intake. Family members are allowed to deposit funds into the inmate's account.</p> <p>Inmates receive basic hygiene items free of charge when booked into Sheriff's custody. If they have money on their accounts, they may choose to purchase additional items through the jail commissary. Deductions to inmate accounts are made for commissary purchases, such as writing supplies, hygiene items, and snacks. Any unused funds, as well as all their stored property items, are returned to the inmate upon release from custody.</p>
<b>Audit Scope &amp; Limitations</b>	<p>The scope of the audit included an evaluation of cash handling practices and controls at Las Colinas Detention Facility and Vista Detention Facility during FY 2012-13 to current.</p> <p>This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.</p>
<b>Methodology</b>	<p>OAAS performed the audit using the following methods:</p> <ul style="list-style-type: none"><li>• Reviewed Inmate Processing Division (IPD) and Financial Services Division (FSD) policies and procedures related to the cash handling processes.</li><li>• Examined applicable laws and regulations related to the administration of inmate funds.</li></ul>

- Reviewed the County's and Sheriff's Department's cash handling policies and procedures.
- Interviewed management and staff to further understand the process and identify related risk and controls.
- On a sample basis, conducted specific audit procedures, such as observation, document inspection, cash count, reconciliations, and data analysis of cash handling processes.
- Identified and evaluated existing controls over cash handling processes.
- Reviewed and assessed the escheatment process for unclaimed inmate funds.

## AUDIT RESULTS

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### Summary

Within the scope of the audit, there is reasonable assurance that the Sheriff's Department has generally established sufficient controls over cash handling practices at the detention facilities. To further strengthen current controls and improve their effectiveness, OAAS has the following findings and related recommendations.

### Finding I:

#### **Internal Controls Over Cash Need Improvement**

OAAS determined that internal controls over inmate cash were not adequate in some areas. Specifically, we found the following issues:

**Insufficient Accountability Over Inmate Cash** – The detention facilities maintain cash reserves in the safe to ensure sufficient funds are available to refund inmate funds upon their release. Cash reserves are replenished from daily inmate cash receipts. The cash reserve amount maintained at each facility is not consistent; therefore, the amount used from the daily cash receipts to replenish the cash reserves fluctuates.

The daily inmate cash receipts and cash reserves are commingled once placed in the safe. There is insufficient reconciliation to identify the amount of cash receipts, cash disbursements, and cash deposits by each employee processing intakes and releases. Consequently, the detention facilities are unable to ensure the integrity and completeness of cash received, cash deposited into the bank, and cash left in the safe.

Insufficient controls over the accountability of inmate funds increase the risk of cash being misappropriated, lost, or stolen without detection.

The Detention Service Bureau staff indicated that they are working on the procurement of a kiosk system which would allow accounting for daily cash receipts and cash reserves. It is anticipated that this system will be available by the end of 2014.

A well designed system of internal controls requires proper accountability of cash receipts.

**Deposits are Not Made In Accordance with County Policy** – OAAS determined that inmate cash receipts are not deposited daily. For instance, deposit of inmate cash received at the Vista Detention Facility is processed on Mondays and Wednesdays. Further, the deposit of cash bail is not processed every day even though the bank courier service goes to each facility on a daily basis.

As a result, large amounts of cash could be left in the safe overnight increasing the risk of cash being lost, misplaced, or misappropriated.

The Sheriff's Department IPD staff indicated that inmate cash receipts are not deposited daily to ensure sufficient funds are kept in the safe to process inmate refunds.

County Administrative Manual, Item No. 0030-24 - Cash Receipts and the County Administrative Code, Section 91.7, require daily deposits of cash collections into the bank account.

**Recommendation:** To strengthen internal controls over cash, the Sheriff's Department should:

1. Develop a policy that clearly outlines the cash reserve amount for each detention facility.
2. Prior to implementing the kiosk system, establish a process to provide sufficient accountability over cash. At a minimum, conduct a reconciliation of daily inmate cash received, cash disbursed, cash left in the safe to replenish the reserves, and cash deposited to the bank.
3. Deposit cash receipts daily to the bank, including inmate cash receipts exceeding the established cash reserve limit and bail cash receipts.

**Finding II: Controls Safeguarding Cash In The Safe Should Be Enhanced**

OAAS found the following control weaknesses related to the safeguarding of cash maintained in the safe:

- Dual custody accessing the safe is not consistent.
- Safe combination at the Vista Detention Facility is not changed periodically or when employee turnover occurs.
- A list of personnel with access to the safe is not available.
- Safe activity logs do not include the full name of the staff accessing the safe. In addition, there is no monitoring or review of the safe activity logs to ensure appropriateness and completeness.

Best practices established in the County Treasurer-Tax Collector, Cash Handling Policies and Procedures, Section 3.2.1, require the following:

- Safe combinations should be changed periodically and always when permanent custody changes (employee turnover).
- Access to safe combination should be limited to a minimum number of authorized personnel.
- Access to the safe must be monitored through a written access log.

Inadequate safeguarding controls increase the risk of cash misappropriations.

**Recommendation:** To improve safeguarding controls, the Sheriff's Department should:

1. Establish a process to ensure dual custody when accessing the safe.
2. Change the safe combination periodically and when employee turnover occurs.
3. Develop a list of personnel authorized to access the safe including their job classification.
4. Establish management oversight of the safe activity logs to ensure they are properly completed.

**Finding III: Insufficient Management Review Over Voided Transactions and Adjusting Entries**

The Detention Processing Technicians (DPT) are responsible for receiving, accounting, and disbursing cash associated with inmate fund accounts. When errors occur, the Detention Processing Supervisors (DPS) process a voided transaction or an adjusting entry.

However, there is no policy in place that requires approval of void and adjusting entries by staff other than the staff originating the transaction. Further, JIMS does not prevent individuals from processing void transactions or adjustments without proper approval. For instance, OAAS identified a voided transaction that was originated and processed by the DPS with no additional review or approval.

Sheriff's Department FSD and IPD staff indicated that JIMS does not provide a report that shows evidence of voids and adjusting entries processed.

Insufficient review and approval of voided transactions and adjusting entries increases the risk of funds misappropriation.

A strong system of internal controls involves timely review and authorization of voided transactions and other adjustments to determine

their appropriateness and to identify patterns of unusual activity among employees.

**Recommendation:** To establish adequate management oversight of voided transactions and adjusting entries, the Sheriff's Department should:

1. Utilize the Daily Cash Drawer Balancing Report to identify voided transactions and adjusting entries processed and ensure that these transactions are periodically reviewed for appropriateness.
2. Require that voided transactions and adjusting entries are pre-approved by authorized staff.

**Finding IV:** **Unclaimed Inmate Funds are Not Escheated Timely**  
Government Code, Section 26642 states the following:

"The Sheriff's Department shall pay to the general fund for the use and benefit of the county any money of a prisoner or the proceeds of the sale of his or her valuables remaining unclaimed for a period of one year after his or her release, or five years after his or her death, or 120 days after a notice has been sent to his or her last known address, or in in the event of his or her death, one year after a notice has been sent to his or her last known kin."

OAAS found that the Sheriff's Department FSD has not escheated over \$57K of unclaimed inmate funds maintained in dormant accounts since FY 2002-03.<sup>1</sup>

Sheriff's Department FSD staff indicated that after numerous efforts to reimburse inmate funds, they escheated accounts from FY 2002-03 to 2011-12 with balances of over \$20 totaling about \$63K. However, the escheatment of the remaining accounts from FY 2002-03 to date has not been processed. The breakdown of unclaimed inmate funds available to escheat is illustrated in Table 1:

**Table 1. Unclaimed Inmate Funds**

Year	Balance Under \$20	Balance Over \$20	Total
FY 2002-11	\$31,099	--	\$31,099
FY 2012-13	\$ 3,721	\$ 5,295	\$ 9,016
FY 2013-14	\$ 4,598	\$ 8,802	\$13,400
January 2014	\$ 376	\$ 3,283	\$ 3,659
<b>Total</b>	<b>\$39,794</b>	<b>\$17,380</b>	<b>\$57,174</b>

FSD management stated that since FY 2011-12 the escheatment of unclaimed funds slowed down because of turnover of key staff and new staff needing to be trained. Further, FSD management was unaware that the escheatment process was not being conducted on FY 2012-13 unclaimed funds.

<sup>1</sup> While inmate funds are reimbursed upon discharge, occasionally, credits to the inmate account are posted after they have been released from custody resulting in a positive balance on the inmate's account.

**Recommendation:** To ensure that unclaimed inmate funds are escheated timely and consistently, the Sheriff's Department should:

1. Develop a formal policy documenting the process to escheat unclaimed funds. Further, communicate the new policy and related procedures to the appropriate staff.
2. Complete the escheatment process for unclaimed inmate funds from FY 2002-03 through the current period.

Office of Audits & Advisory Services

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VALUE

## **DEPARTMENT'S RESPONSE**

**COUNTY OF SAN DIEGO****INTER-DEPARTMENTAL CORRESPONDENCE**

RECEIVED

May 8, 2014

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OFFICE OF AUDITS &  
ADVISORY SERVICES

**TO:** Juan R. Perez, Chief of Audits O-305  
Office of Audits and Advisory Services

**FROM:** William D. Gore, Sheriff O-41  
Sheriff's Department

**Department Response To Audit Recommendations: Sheriff's Department Cash Handling Audit****Finding I:** Internal Controls Over Cash Need Improvement

**OAAS Recommendation:** To strengthen internal controls over cash, the Sheriff's Department should:

1. Develop a policy that clearly outlines the cash reserve amount for each detention facility.
2. Prior to implementing the kiosk system, establish a process to provide sufficient accountability over cash. At a minimum, conduct a reconciliation of daily inmate cash received, cash disbursed, cash left in safe to replenish the reserves, and cash deposited to the bank.
3. Deposit cash receipts daily to the bank, including inmate cash receipts exceeding the established cash reserve limit and bail cash receipts.

**Action Plan:** Sheriff's Department agrees with the audit recommendation and plans to implement the following:

A policy is currently being created to which outlines the cash reserve limit at each detention facility. The cash reserve amount for each facility has been determined.

Inmate cash reconciliation will be completed daily to indicate total inmate cash received, cash disbursed, ending safe cash balance, and cash deposited to the bank.

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Deposits will be made Monday through Friday at all facilities. A cash reserve needed to conduct business was calculated for each facility. Any funds exceeding this reserve will be deposited to the bank daily Monday through Friday.

The current configuration within the Jail Information Management System (JIMS) does not allow the separation of Cash Receipts from the cash reserve maintained within the safe. Currently, the only transaction available to deposit inmate funds to the facility safe is called a SAFE IN, this transaction automatically intermingles the Cash Receipts with the Cash Reserves.

**Planned Completion Date:** 05-31-2014

**Contact Information for Implementation:** Kathy Hernandez, Assistant Manager  
Inmate Processing Division (619) 615-2528

**Finding II:** Controls Safeguarding Cash In the Safe Should Be Enhanced

**OAAS Recommendation:** To improve safeguarding controls, the Sheriff's Department should:

1. Establish a process to ensure dual custody when accessing the safe.
2. Change the safe combination periodically and when employee turnover occurs.
3. Develop a list of personnel authorized to access the safe including their job classification.
4. Establish management oversight of the safe activity logs to ensure they are properly completed.

**Action Plan:** Sheriff's Department agrees with the audit recommendation and plans to implement the following:

Currently, there is dual custody when accessing the safe. The Safe Activity Logs have been enhanced to provide the names and employee identification numbers for the two staff members who are present when the facility safes are accessed.

The safe combinations have been changed at all facilities and a list of employees, along with their job classifications who have the combination to the safe is being maintained by the Sheriff's Operations Supervisors. The combinations will be changed four times a year and when employee turnover occurs.

The Safe Activity logs have been standardized for all detention facilities. The Sheriff's Operations Supervisors at each facility are auditing these logs once a month.

Juan Perez, Chief of Audits

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**Planned Completion Date: 04-30-2014**

**Contact Information for Implementation:** Kathy Hernandez, Assistant Manager  
Inmate Processing Division (619) 615-2528

**Finding III:** Insufficient Management Review Over Voided Transactions and Adjusting Entries

**OAAS Recommendation:** To establish adequate management oversight of voided transactions and adjusting entries, the Sheriff's Department should:

1. Utilize the Daily Cash Drawer Balancing Report to identify voided transaction and adjusting entries processed and ensure that these transactions are periodically reviewed for appropriateness.
2. Require that voided transactions and adjusting entries are pre-approved by authorized staff.

**Action Plan:** Sheriff's Department agrees with the audit recommendation and plans to implement the following:

The Sheriff's Operations Supervisors conduct weekly audits of the Daily Cash Drawer Balancing Reports. The Detention Processing Supervisors at each facility are recording any voids or adjusting entries in an electronic log which is reviewed by the Sheriff's Operations Supervisors daily.

**Planned Completion Date:** 04-30-2014

**Contact Information for Implementation:** Kathy Hernandez, Assistant Manager  
Inmate Processing Division (619) 615-2528

**Finding IV:** Unclaimed Inmate Funds are Not Escheated Timely

**OAAS Recommendation:** To ensure that unclaimed inmate funds are escheated timely and consistently, the Sheriff's Department should:

1. Develop a formal policy documenting the process to escheat unclaimed funds.  
Further, communicate the new policy and related procedures to the appropriate staff.
2. Complete the escheatment process for unclaimed inmate funds from FY 2002-03 through the current period.

**Action Plan:** Sheriff's Department agrees with the audit recommendation and plans to implement the following:

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A formal and written policy documenting the process to escheat unclaimed funds timely and consistently has been established as of February 2014. The appropriate staff have been notified and provided with the written policy. Verbal and written communication with staff is being done to ensure the escheatment of funds is being processed timely and consistently.

As of February 2014, staff has begun the escheatment process of unclaimed inmate funds. This process will continue until all remaining accounts from FY2002 to present have been processed. Weekly updates will be provided to assess the unclaimed funds outstanding balance.

**Planned Completion Date:** June 30, 2014

**Contact Information for Implementation:** Ava Salunga, Sheriff's Financial Services Division Manager; 858-974-2235

If you have any questions, please contact Jill Serrano, Sheriff's Chief Financial Officer at 858-974-2225.

WILLIAM D. GORE, Sheriff



Jill Serrano, Chief Financial Officer  
Management Services Bureau – Fiscal Services  
Sheriff's Department

JFS:dc